



Policy Brief.....August 1, 2001

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H.R. 4—To enhance energy conservation, research and development and to provide for security and diversity in the energy supply for the American people, and for other purposes. (Tauzin)

Order of Business: The bill is scheduled to be considered subject to a structured rule on Wednesday, August 1st.

Summary by Division and Title:

Division A—Title I—Energy Conservation

- Reauthorizes appropriations to the Department of Energy for federal energy conservation programs as follows: \$950 million for FY2002, \$1 billion for FY2003, \$1.05 billion for FY2004, \$1.1 billion for FY2005, and \$1.15 billion for FY2006.
 - Programs reauthorized include:
 - Promoting export of energy efficient products
 - Appliances program
 - Energy conservation standards for new buildings
 - Federal Energy Management Program
 - Energy efficient lighting and building centers
 - Energy efficiency labeling for windows
 - Energy efficiency information for commercial office equipment
 - Energy efficiency information for luminaries
 - Energy efficiency in industrial facilities
 - Process-oriented industrial energy efficiency
- Provisions Related to Federal Buildings:
 - Guidelines for energy efficiency in federal facilities are set so that by fiscal year 2020, the energy consumption per gross square foot in each federal building is at least 45% less than such consumption in fiscal year 1985. Certain federal buildings may be excluded for several listed reasons (such as national security).

- Requires all federal buildings (including legislative branch buildings) to be metered for their energy use by the start of fiscal year 2005.
 - Allows an agency to retain funds appropriated to the agency for energy expenditures that are not spent because of energy savings, provided that such funds are used for energy efficiency or unconventional and renewable energy resources projects.
 - Mandates periodic energy audits of federal agencies by the Inspector General.
 - Allows and encourages federal agencies to enter into contracts to improve energy efficiency.
 - Requires federal agencies to acquire central air conditioners and heat pumps that meet or exceed new standards listed in the bill.
 - Authorizes \$2 million “for fiscal years after the enactment of this Act” for the Architect of the Capitol to evaluate the energy efficiency possibilities of the Capitol Complex, with particular focus on unconventional and renewable energy resources.
- **Encourage Production & Marketing:** Authorizes appropriations of \$20 million for each of the fiscal years 2003 through 2010 to the Secretary of Energy to conduct studies to “identify and encourage the production and marketing of energy efficiency products and services and unconventional and renewable energy sources.”
 - **Testbed Program:** Authorizes \$18 million to be appropriated for FY2002 to establish an Advanced Building Efficiency Testbed program for the development of innovations in building technologies.
 - **State Energy Programs:** Authorizes appropriations for State energy programs as follows: \$75 million for FY2002, \$100 million for fiscal years 2003 and 2004, and \$125 million for FY2005.
 - **Schools & Hospitals:** Reauthorizes the energy conservation program for schools and hospitals through 2010 (currently set to expire in 2003).
 - **Weatherization Assistance:** Authorizes appropriations for the Weatherization Assistance Program as follows: \$273 million for FY2002, \$325 million for FY2003, \$400 million for FY2004, and \$500 million for FY2005.
 - **LIHEAP:** Authorizes appropriations for the Low-Income Home Energy Assistance Program (LIHEAP) of \$3.4 billion for each of fiscal years 2001 through 2005. Mandates a GAO study of the extent to which LIHEAP and other such subsidies discourage energy conservation and energy efficiency investments.
 - **State & Local Gov’t Bldgs:** Establishes a High Performance Public Buildings Program in the Department of Energy to distribute grants to state and local governments to improve energy efficiency in public buildings. “Such sums as may be necessary” are authorized to be appropriated through fiscal year 2010.
 - **Energy Star:** Establishes an Energy Star Program in the Department of Energy to promote energy-efficient products and buildings labeled “Energy Star” for meeting the highest energy efficiency standards. “Such sums as may be necessary” are authorized to be appropriated through fiscal year 2006.
 - **Household Appliance Standards:** Sets new standards for household appliances when in “standby mode.”

- **Public Education:** Authorizes \$5 million (“in addition to amounts otherwise appropriated”) for the Secretary of Energy to initiate a public education campaign on the energy and cost savings of regularly scheduled maintenance of air conditioners, heating, and ventilating systems.
- **HOV Lanes:** Allows states to permit hybrid vehicles and alternative-fuel vehicles to drive in HOV lanes with fewer than two occupants.
- **Railroad:** Authorizes appropriations for a public-private initiative to develop and demonstrate railroad technologies that increase fuel economy and reduce emissions: \$25 million for FY2002, \$30 million for FY2003, and \$35 million for FY2004.
- **Federal Regulations:** Mandates each federal agency to review its regulations to determine those that prevent market-entry for energy-efficient technologies.
- **Oil Bypass Filtration:** Mandates the Secretary of Energy to conduct and report studies of oil bypass filtration technologies, gas flares, and telecommuting.

Division A -- Title II – Automobile Fuel Economy

- **Fuel Economy Standards:** Requires new average fuel economy standards for non-passenger automobiles manufactured in model year 2004 through 2010 that will result in a savings of at least 5 billion gallons of gasoline as compared to the current standards.
- **Federal Automobile Fleet:** The bill contains several provisions related to fuel economy in government vehicles and the purchase of alternative fuel vehicles.

Division A -- Title III – Nuclear Energy

- **Nuclear Waste Trust Fund:** Takes the Nuclear Waste Trust Fund off-budget.
- **Uranium Mining:** Authorizes \$10 million a year (FY02-04) for cooperative research on uranium mining
- **Domestic Uranium Conversion Industry:** Authorizes \$800,000 for research on improving the environmental and economic performance of domestic uranium conversion operations

Division A -- Title IV – Hydroelectric Energy

- **Alternative for Resource Protection:** Requires that federal resource agencies consider alternatives to the mandatory conditions and fishway prescriptions they would otherwise impose on hydroelectric power projects during a licensing proceeding.

Division A -- Title V – Fuels

- **Blended and Reformulated Fuels:** Directs the EPA to commence rulemaking related to gasoline blendstock requirements and tank draining during transitions to summertime gasoline in order minimize disruptions to the fuel supply.
- **MTBE Contamination:** Authorizes \$200 million from the Leaking Underground Storage Trust Fund for the EPA Administrator to undertake actions related to MTBE contamination resulting from underground storage tanks.

Divisions A -- Title VI – Renewable Energy

- **Renewable Energy Production Incentive:** Modifies, extends and expands the current renewable energy incentive program which provides payments of 1.7 cents per kilowatt-hour to qualifying generators for electricity produced from renewable energy sources.

Division A -- Title VII – Pipelines

- **Historic Pipelines:** Prohibits a transportation facility from being included on the National Register of Historic Places until the facility has been abandoned.

Division A -- Title VII – Misc. Provisions

- **Study of Aircraft Emissions:** Requires study of aircraft emissions
- **Waste Reduction:** Authorizes a single \$275,000 grant on how to burn post-consumer carpet as an alternative energy source.

Division B—Title I—Energy Conservation and Energy Efficiency

- **Alternative Fuel Vehicles:** Authorizes \$200 million to be appropriated for a competitive grant pilot program (for state and local governments) to acquire, operate, and maintain alternative fuel and/or ultra-low sulfur diesel vehicles.
- **Secondary Electric Vehicle Battery:** Authorizes appropriations as follows to establish a Secondary Electric Vehicle Battery Use Program to determine the usefulness of batteries in utility and commercial power storage: \$1 million for FY2002 and \$7 million for each of fiscal years 2003 and 2004.
- **School Buses:** Authorizes appropriations as follows to establish a competitive grant pilot program for demonstrating the commercial application of alternative-fuel and ultra-low sulfur diesel school buses: \$40 million for FY2002, \$50 million for FY2003, \$60 million for FY2004, \$70 million for FY2005, and \$80 million for FY2006.
- **Lighting Technologies:** Authorizes the establishment of the Next Generation Lighting Initiative to explore advanced lighting technologies.
- **DOE Energy Conservation:** Authorizes additional appropriations as follows to the Department of Energy for energy conservation programs: \$625 million for FY2002, \$700 million for FY2003, and \$800 million for FY2004.
- **Office of Climate Change:** Authorizes appropriations as follows to the Administrator for Office of Air and Radiation Climate Change Protection Programs: \$121.9 million for FY2002, \$126.8 million for FY2003, and \$131.8 million for FY2004. At least 50% of each commercial or demonstration project would have to be funded by nonfederal sources.

Division B—Title II—Renewable Energy

- **Hydrogen Research:** Authorizes appropriations as follows for the establishment of a hydrogen research and development program. For research and development and an advisory committee: \$40 million for FY2002, \$45 million for FY2003, \$50 million for FY2004, \$55 million for FY2005, and \$60 million for FY2006. For demonstration projects: \$20 million for FY2002, \$25 million for FY2003, \$30 million for FY2004, \$35 million for FY2005, and \$40 million for FY2006.

- **Biopower:** Authorizes appropriations for biopower energy systems programs as follows: \$45.7 million for FY2002, \$52.5 million for FY2003, \$60.3 million for FY2004, \$69.3 million for FY 2005, and \$79.6 million for FY2006.
- **Biofuels:** Authorizes appropriations for biofuels energy systems programs as follows: \$53.5 million for FY2002, \$61.4 million for FY2003, \$70.6 million for FY2004, \$81.1 million for FY2005, and \$93.2 million for FY2006.
- **Bioenergy R&D:** Authorizes \$49 million to be appropriated for each of fiscal years 2002 through 2006 for integrated bioenergy research and development programs.
- **DOE Renewable Energy:** Authorizes additional appropriations to the Department of Energy (for renewable energy operation and maintenance) as follows: \$535 million for FY2002, \$639 million for FY2003, and \$683 million for FY2004.

Division B—Title III—Nuclear Energy

- **Encourage People to Study Nuclear Science:** Authorizes appropriations as follows to develop a program to encourage young people to study the nuclear sciences and related fields: \$30.2 million for FY2002, \$41.0 million for FY2003, \$47.9 million for FY2004, \$55.6 million for FY2005, and \$64.1 million for FY2006.
- **Advanced Fuel Recycling R&D:** Authorizes appropriations as follows for an advanced fuel recycling technology research and development program: \$10 million for FY2002 and “such sums as are necessary” for FY2003 and FY2004.
- **Nuclear Energy Research:** Authorizes appropriations as follows for a nuclear energy research initiative: \$60 million for FY2002 and “such sums as are necessary” for FY2003 and FY2004.
- **Nuclear Plants:** Authorizes appropriations as follows for a nuclear energy plant optimization program: \$15 million for FY2002 and “such sums as are necessary” for FY2003 and FY2004.
- **Generation IV Nuclear Systems:** Authorizes appropriations as follows for a study of Generation IV nuclear energy systems: \$20 million for FY2002 and “such sums as are necessary” for FY2003 and FY2004.
- **DOE Nuclear Energy:** Authorizes additional appropriations to the Department of Energy (for nuclear energy operation and maintenance) as follows: \$191.2 million for FY2002, \$199 million for FY2003, and \$207 million for FY2004.
- **DOE Nuclear Construction:** Authorizes additional appropriations to the Department of Energy (for nuclear energy construction projects) as follows: \$1.5 million for FY2002, \$2.7 million for FY2003, \$1.7 million for FY2004, and \$2.2 million for FY2005.

Division B—Title IV—Fossil Energy

- **Coal Technology:** Authorizes appropriations as follows for coal and related technologies programs: \$172 million for FY2002, \$179 million for FY2003, and \$186 million for FY2004.
- **Deepwater Gas Research Fund:** Establishes an Ultra-Deepwater and Unconventional Gas Research Fund in the U.S. Treasury for grants for oil and gas exploration. \$900 million (covering FY2002-FY2009) would be loaned to the Fund from the Treasury, and income received by the United States in connection with oil

and gas leases would be deposited in the Treasury and considered repayments of the loan.

- **Fuel Cells:** Authorizes \$28 million for each of fiscal years 2002 through 2004 for fuel cells programs.
- **DOE Fossil Energy:** Authorizes additional appropriations to the Department of Energy (for fossil energy operation and maintenance) as follows: \$282 million for FY2002, \$293 million for FY2003, and \$305 million for FY2004.

Division B—Title V—Science

- **Fusion Energy:** Authorizes appropriations as follows for the development and review (*but not the implementation*) of the Fusion Energy Sciences Program: \$320 million for FY2002 and \$335 million for FY2003.
- **Neutron Source:** Authorizes appropriations as follows for the construction of the Spallation Neutron Source: \$276.3 million for FY2002, \$210.6 million for FY2003, \$124.6 million for FY2004, \$79.8 million for FY2005, and \$41.1 million for FY2006.
- **Neutron Source:** Authorizes appropriations as follows for other costs associated with the Spallation Neutron Source: \$15.4 million for FY2002 and \$103.3 million for the period encompassing fiscal years 2003 through 2006.
- **Office of Science & Technology:** Establishes an Advisory Panel on the Office of Science and Technology Policy.
- **DOE Science:** Authorizes additional appropriations to the Department of Energy (for science projects operation and maintenance) as follows: \$3.3 billion for FY2002. Authorizes additional construction funds totaling \$48.6 million for FY2002, \$21 million for FY2003, and \$2 million for FY2004.

Division C -- Title I – Conservation Tax Provisions

- **Solar Energy:** 15% tax credit (up to \$2,000) for residential solar hot water and photovoltaic cells. \$125 million over ten years (terminated in 2006 & 2008)
- **Electricity From Wind, Biomass, and Landfill Gas Facilities:** Extends and expands credit for producing electricity from wind, biomass, and landfill gas facilities. \$2.4 billion over ten years
- **Fuel Cells:** Credit for business and non-business installation of fuel cell power plants. \$447 million over ten years
- **Alternative Motor Vehicle Credit:** Tax credit for electric, fuel cell and hybrid vehicles ranging from \$250 to \$40,000 depending upon the type, weight, fuel efficiency and model of the vehicle. \$2.1 billion over ten years
- **Electric Vehicles:** Expand credit. \$286 million over ten years
- **Energy Efficient Appliances:** Tax credit of \$50 or \$100 (up to an aggregate \$30 million for each category) for producers of energy efficient refrigerators and washing machines. \$292 million over ten years
- **Improvements to Existing Homes:** \$2,000 credit per home for energy efficiency improvements to new or existing homes \$1.6 billion over six years (terminated in 2006).
- **Commercial Property:** Deduction for energy efficient expenses related to commercial business property. \$387 million over five years (terminated in 2006)

- **Energy Management Devices:** \$30 deduction for suppliers of electric and natural gas for each energy management device or retrofitted meter. \$239 million over ten years
- **Credit for Combined Heat and Power Systems:** \$357 million over ten years (terminated in 2007).
- **AMT:** Allow nonbusiness energy credits against the Alternative Minimum Tax (AMT). \$100 million over ten years
- **Railroad and Inland Waterway Fuel Taxes:** Phaseout the 1993 4.3-cent increase on motor fuel excise taxes on railroads and inland waterway transportation. \$992 million over ten years
- **Clean Coal:** Credit for Clean Coal Technology. \$3.3 billion over ten years

Division C -- Title II – Reliability Tax Provisions

- **Natural Gas Pipelines:** Treated as 10-year property. \$3.5 billion over ten years
- **Petroleum Refining Property:** Treated as 7-year property. \$1.3 billion over ten years
- **Expensing of Costs of Complying with EPA Sulfur Regulations:** Allow small refiners to expense capital costs and claim an environmental tax credit related to complying with EPA sulfur regulations. \$96 million over ten years
- **Expand Number of Refineries Excluded From Oil Depletion Reduction:** \$151 million over ten years
- **Expand Use of Tax-Exempt Bonds for Public Power Facilities:** \$2.5 billion over ten years
- **Tax Relief To Implement FERC or State Electric Restructuring Policies:** Improve tax treatment for property involuntarily disposed of as a result of electric utility restructuring. \$2.24 billion over ten years
- **Modify Tax Treatment of Contributions to Funds for Nuclear Decommissioning Costs:** \$1.9 billion over ten years
- **Modify Tax on Certain Income of Electric Cooperatives:** \$179 million over ten years
- **Expand Use of State and Local Bonds for Natural Gas Delivery:** \$827 million over ten years.

Division C -- Title III – Production Tax Provisions

- **Tax Credit for Marginal Wells:** Tax credit of \$3 per barrel for crude oil and 50 cents per 1,000 cubic feet of natural gas from qualified marginal wells when the price for oil is below \$18 a barrel and gas is below \$2 per 1,000 cubic feet.
- **Suspend Caps on Depletion Recovery for Marginal Wells:** Suspend through 2007 the cap on depletion allowances. \$898 million over six years
- **Deduction for Delay Rental Payments Related to Mineral Production:** \$1.2 billion over ten years
- **Deduction of Exploration Expenditures:** Permit Geological and Geophysical expenditures to be deducted. \$958 million over ten years
- **Net Operating Losses:** Allow net operating losses from oil and gas properties to be carried back for up to five years. \$1.1 billion over ten years

- **Non-Conventional Source Credit:** Extend and modify the current credit from producing fuel from a non-conventional source (such as landfill gas). \$2.8 billion over ten years
- **AMT:** Allow business related credits, enhanced oil recovery credit against the Alternative Minimum Tax (AMT) and repeal intangible drilling costs. \$645 million over ten years
- **Indian Reservations:** Extend accelerated depreciation and wage credit benefits for energy-related businesses on Indian Reservations. \$175 million over ten years

Division D

- **CDBG Grants:** Increases by 10% the percentage limitation (in the Community Development Block Grant Program) on the amount that may be used for the provision of public services. Such percentage increase could only be used for energy conservation or efficiency.
- **FHA Mortgages:** Increases FHA Mortgage Insurance limits for families when costs are higher due to the installation of alternative energy systems
- **HUD Regulations:** Mandates an updating of HUD regulations regarding the construction of energy-efficient housing, including the creation of incentives for the construction of energy-efficient homes.

Division E

- **Clean Coal:** Authorizes \$200 million for each of the fiscal years 2002 through 2011 for a Clean Coal Power Initiative.
- **Coal Projects:** Maintains that the federal share of the cost of a coal or related technology project shall not exceed 50%.

Division F—Title I—General Protections for Energy Supply

- **Federal Lands:** Requires the Secretary of the Interior to do an inventory of the energy production potential of all federal public lands (other than national park and wilderness lands) with respect to wind, solar, coal, and geothermal power production.
- **Gas Pipelines:** Requires the Secretary of Energy to establish an interagency task force to facilitate interstate natural gas pipeline projects.
- **Vehicles:** Encourages the use of energy efficient motor vehicles by federal management authorities on national park lands, national wildlife refuges, and other lands managed by the Secretaries of the Interior and Agriculture.

Division F—Title II—Oil and Gas Development

- **Gulf of Mexico:** Provides royalty relief incentives for oil and gas leases in the western and central planning area of the Gulf of Mexico.
- **Gulf of Mexico:** Mandates a study (by the National Academy of Sciences in conjunction with the Secretaries of the Interior and Energy) of the existing oil and natural gas resources in the Gulf of Mexico.
- **Federal Onshore Lands:** Mandates a study (by the Secretaries of the Interior and Agriculture) of the impediments to efficient oil and gas leasing on federal onshore lands.

- **Federal Leases:** Provides various recourses to reduce the number of denials and stays of lease issuances and of restrictions on lease operations (regarding the administration of oil and natural gas leasing on federal lands).
- **Royalties in the Form of Commodities:** Provides that royalties payable to the United States under an oil or gas lease shall, upon demand of the Secretary of the Interior, be paid in oil or gas. The federal government would be able to transport or sell such oil or gas or use it to bolster LIHEAP.
- **Marginal Refineries:** Reduces royalties for certain marginal oil and gas refineries.
- **Leases:** Allows the Secretary of the Interior to reimburse lessees or applicants for leases who incur costs for preparing environmental analyses, pending certain conditions.

Division F—Title III—Geothermal Energy Development

- **Geothermal Lease:** Reduces the royalty rate for a geothermal energy lease.
- **Geothermal Royalties:** Substitutes an annual fee for royalties for direct use of low-temperature geothermal energy resources.
- **Geothermal on Public Lands:** Opens public lands under military jurisdiction to geothermal energy development leasing, pursuant to concerns of national security.

Division F—Title IV—Hydropower

- **Study:** Mandates a study and report by the Secretary of the Interior on the potential for increasing electric power production at existing facilities under the administrative control of the Secretary.
- **CA Generator:** Allows the Secretary of the Interior to replace an aging generator and transformer at the Bureau of Reclamation power plant in Folsom, California.
- **Study:** Mandates a study and certain implementation of increased operational efficiencies in hydroelectric power projects.
- **Bureau of Reclamation:** Requires the Secretary of the Interior to shift as much water pumping at Bureau of Reclamation facilities as possible to off-peak hours to minimize the amount of electric power consumed for such pumping during peak hours.

Division F—Title V—Arctic Coastal Plain Domestic Energy

- **ANWR:** Allows for oil and gas leasing in the Arctic National Wildlife Refuge (ANWR). Requires that such oil and gas leasing in ANWR must not violate any local, state, or federal environmental law. The oil and gas exploration and development cannot result in “significant adverse effect” on fish and wildlife, their habitat, or the environment generally. Requires site-specific environmental impact analyses and plans on minimizing harm to the surrounding environment. The Secretary of the Interior may also designate “Special Areas” for oil and gas leasing, pending consultation with local authorities. No “Special Area” could encompass lands with “surface occupancy.”
- **Expedites judicial review:** of complaints regarding leases and lease applications in ANWR.
- **Establishes the Coastal Plain Local Government Impact Aid Assistance Fund:** within the U.S. Treasury to help mitigate the potential effects on oil and gas exploration and development on local cultural values and municipal services. The

Fund shall be replenished with revenues from lease rents and royalties. The total amount in the Fund may never exceed \$10 million.

- **ANWR Royalties:** Provides for 50% of the adjusted rental, royalty, and bonus revenues from oil and gas leasing to be paid in quarterly installments to the State of Alaska.

Division F—Title VI—Conservation of Energy by the Interior Department

- **Reduce Energy Use:** Requires the Secretary of the Interior to study and implement means to reduce energy use by the Department, focusing on the use of alternative energy sources.

Division F—Title VII—Coal

- **Fees:** Limits fees and removes deadlines with respect to coal leases.

Division F—Title VIII—Insular Areas Energy Security

- Authorizes \$5 million in grants per fiscal year to improve the security of energy lines in insular areas (since many cannot withstand damage from hurricanes and tornadoes).

Cost to Taxpayers: While a CBO cost estimate is unavailable for H.R. 4 as a package, information on some of the component parts is available. The tax provisions are expected to **reduce revenue by \$1.7 billion next year and \$33.5 billion over ten years.** In addition, based on CBO and RSC analysis the **bill authorizes in excess of \$40 billion in spending over the next ten years.** In addition, CBO has indicated that the Resource Committee portion of the bill alone will increase direct spending in excess of \$125 million over the next five years.

Does the Bill Create New Federal Programs or Rules?: Yes, as described above.

Constitutional Authority: Though a committee report citing constitutional authority for H.R. 4 is unavailable, committee reports for bills that were essentially merged to create H.R. 4 cite Article I, Section 8, Clause 3 (regulate commerce); Article IV, Section 3 (making rules for the Territories); Article I, Section 8, Clause 1 (power to lay and collect taxes); and the 16th Amendment (income tax).

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